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## Japan Said to Plan Computer Deal to Avert U.S. Sanctions

**TOKYO**—Japan plans to buy several million-dollar American supercomputers as part of its efforts to head off sanctions imposed by the United States in a trade dispute, Japanese newspaper reported Sunday.

The Asahi Shimbun said the government hoped the measures would ease the Japanese market for Japanese supercomputers.

The gray market for Japanese supercomputers is shrinking but remains significant, Page 7.

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Margaret Thatcher lighting a candle on Sunday at Saint Sergius Monastery near Moscow.

## In Soviet, Thatcher Sets a Campaign Tone

By Howell Raines  
New York Times Service

**MOSCOW**—Prime Minister Margaret Thatcher called her visit to the Soviet Union an "historic mission" for peace on Sunday, but her first full day in the country had the tone and trappings of an election campaign in her own country.

Trailing by three buses carrying British and American reporters, Mrs. Thatcher visited the Saint Sergius monastery in Zagorsk, outside Moscow, and toured a large housing project in the suburb of Krylatskoye.

At every stop, Mrs. Thatcher headed for the crowds of friendly, curious Russians, to the initial surprise of the Soviet security forces.

At the 14th-century monastery in Zagorsk, the security men battled furiously to drive back citizens and

journalists as Mrs. Thatcher tried to get on with her hand-shaking. British officials fought just as hard to keep the British television film crews at Mrs. Thatcher's side.

Sir Geoffrey Howe, the foreign secretary, was among those who got jostled and squeezed.

But in the end, Mrs. Thatcher's aides expressed confidence they got the "spectacular" television footage they had aimed for in planning the trip.

But Mrs. Thatcher bristled when a reporter asked if she was campaigning "if you mean in the context of party politics at home, no," she said firmly.

"I'm here to represent my country on a historic mission, and I would ask you to take it that way, and to enlarge your view of what it is about."

On the diplomatic front, Mrs. Thatcher continued her polite ne-

dling of the Soviets on human rights, a tactic she adopted after Mikhail S. Gorbachev moved independently, while her visit was in the planning stage, to reopen talks with the United States on medium-range missiles.

This seemed to British officials to undercut the role she might have played as an intermediary on arms control, so Mrs. Thatcher and her aides shifted their attention to human rights, religious freedom and immigration.

On her flight to Moscow Saturday afternoon, Mrs. Thatcher said her willingness to trust Mr. Gorbachev on arms control would be influenced by how the Soviet Union treated its own citizens.

A heavy agenda  
Karen DeYoung of The Washington Post reported from Moscow: Mrs. Thatcher's visit, the first by

A British prime minister in 12 years, began with an airport honor guard and a band, and a flattering front-page picture of her in Pravda, the Communist Party daily.

Along with the photograph, a Pravda article pledged Soviet "respect for the people of Great Britain."

But the warm reception on Saturday, after which Mrs. Thatcher was taken to the Kremlin for a quick exchange of greetings with Mr. Gorbachev, followed an attack on her by the official Tass news agency on Friday.

A Tass article described Britain under the Conservative Party prime minister as rife with racism and human rights abuses. The article said that she was in no position

to demand that the Soviet Union respect human rights.

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## Chirac Asks U.S. Not to Let Pact Imperil Europe

By Jim Hoagland  
Washington Post Service

**PARIS**—Prime Minister Jacques Chirac has called on the Reagan administration to work closely with Europe to prevent the Soviet Union from gaining military advantages from the proposed elimination of medium-range nuclear missiles on the continent.

"An agreement on medium-range missiles must not undercut the overall balance of nuclear forces, and must not award an advantage in short-range missiles that would negate the value of the medium-range accord," Mr. Chirac said Saturday in an interview.

He left Sunday on an official visit to Washington that is politically and diplomatically vital for him.

Mr. Chirac will seek support from President Ronald Reagan for French efforts to forge a European security charter that would augment conventional defenses while France and Britain continue to expand their national nuclear forces.

The conservative French leader suggested that he remains skeptical about Soviet arms control initiatives.

Mr. Chirac will give Mr. Reagan a first-hand account of the strong private misgivings that French, British and, to a lesser extent, West German officials harbor about the impact of the proposed accord, despite their public support for Washington's decision to try to reach such an accord.

Stopping short of voicing those reservations in the interview Saturday, Mr. Chirac hinted that he would tell Mr. Reagan that France prefers no accord to one that does not contain Soviet commitments to negotiate limits on short-range missiles.

Hoping to oust President Francois Mitterrand, a Socialist, from office in elections next year, Mr. Chirac has seen his ranking in public opinion polls plummet in recent months because of domestic strife and a sagging economy that has not been revived by Mr. Chirac's program of tax cuts and financial deregulation.

But he made it clear Saturday that he feels he is now on the comeback trail, and the high-profile welcome he will receive in Washington on Tuesday may help him recover ground at home.

A Gaullist and leader of the conservative coalition that gained control of the French National Assembly from the Socialists in 1986, Mr. Chirac shares responsibility with Mr. Mitterrand for defense and foreign affairs.

Mr. Chirac, who stops off first in New York for a day of meetings with business and civic groups, arrives in Washington at a moment of lessening tension between France and the United States over a number of points and particularly over American demands that other countries support efforts to combat terrorism by directly confronting Libya and Syria. The French leader said he feels events have moved in his favor.

Seated before a roaring fire that he periodically renewed by throwing on another log, Mr. Chirac was buoyed by the news Saturday that French-supported Chadian troops

had taken the town of N'Djamena, the capital of Chad, from the hands of Libyan-backed forces.

After meetings with the government earlier in March, the unions, established after the suppression of Solidarity in December 1981, called the price increases "unacceptable to working people."

A statement reported by the official news agency PAP said that "the trade unions' opinions have been partly taken into account" and that, while some prices were reduced, "cushioning measures" proposed by the unions were also adopted for low-income groups.

However, Western observers said authorities may have made no significant changes in the price structure to please the unions. The official economic plan for this year, approved in December, forecast an overall rise in prices and workers' salaries this year of 14 percent.

The statement said that bus and other transportation fares would rise 30 percent later this year and announced immediate increases of

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## Kiosk

### 3 Libyans Seek Asylum in Egypt

CAIRO (UPI)—A Libyan military helicopter landed Sunday at an airfield in western Egypt and its three crew members requested political asylum, the state-run press agency said.

It was the second Libyan aircraft to seek refuge in Egypt this month. A C-130 military transport plane landed March 2 at Abu Simbel airport in southern Egypt, and two Libyan Air Force officers on board later were granted political asylum.

The result is a real-life example of the apocryphal story of the 100-mile (160-kilometer) miracle caribou, an imaginary invention supposedly so efficient that the gasoline companies conspired to keep it off the market.

There is no miracle caribou, but there

are digital tape recorders with all the familiar Japanese brand names—Aiwa, Technics, Sony, Sharp, Sanyo, Toshiba—and there is what the Japanese regard as an American conspiracy to keep them out of the United States.

The digital tape recorders are so good at reproducing sound that taped copies cannot

be told from the best originals, even after several copies. The tiny digital tapes—half the size of conventional cassettes—sound as good as compact audio discs that already threaten to drive conventional records and tapes into extinction.

Digital tape recorders use technology similar to compact disc players and can make all-but-perfect copies of compact discs when the two devices are hooked together.

In Japan, copying a recording is not only common but legal. But in the United States,

home copying violates copyright laws. U.S. entertainment companies claim they lose \$1.5 billion annually because of unauthorized copying and would face even bigger losses if digital audio tape recorders made possible near-perfect copies of records and tapes.

Trade measures being considered in Congress would limit sales of the machines in the United States unless they include "spoiler" devices to block certain illicit copying. The recorders on sale in Japan do not have spoilers but have other provisions that restrict copying of compact discs.

The dispute has dismayed electronics companies here and, for the time being, has made exports unlikely. But makers are pressing ahead at home.

Toshinori Ito, an analyst at Daiwa Securities Research Institute, said, "The audio

industry regards DAT as the most important innovation it has, even more so than the compact disc."

In Europe, the Dutch firm of Philips NV, the dominant company in consumer electronics in the European Community, has been negotiating with the Japanese to delay introduction of DAT in the United States and in the EC, the International Herald Tribune reported from Brussels. Philips argues that DAT could confuse consumers and undermine the compact disc market.

[The company says it has the technological ability to market DAT, but that it would like to hold off for as long as possible. Philips is now reporting good profits from its compact disc sales and realizes that the introduction of DAT would jeopardize that income.]

[The company has lobbied the EC Commission to put up barriers to DAT, perhaps by requiring "spoilers," perhaps by imposing tariffs. Meanwhile, one of Philips' U.S. units, Polygram, a music firm, has joined in the U.S. music industry's battle to pass legislation against DAT.]

Electronics companies in Japan argue that DAT is inevitable and that consumers have a

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## These Tapes Are So Good, They're Scary — for Some

By John Burgess  
Washington Post Service

**TOKYO**—The Japanese electronics companies that wrapped headphones around the world's ears and brought a night at the movies home on video recorders have begun selling another high-tech home entertainment system that could launch a new leisure revolution. It is isn't outlawed.

The new digital audio tape, or DAT, recorder that went on sale here at \$1,200 apiece this month are so good at reproducing music that U.S. record companies warn they could destroy the market for prerecorded records and tapes unless they are restricted.

Fearing that the record companies will persuade Congress to legislate against digital tape recorders, Japanese manufacturers have voluntarily refused to sell them in the United States and have hobbled the machines sold in Japan so they cannot work up to their full potential.

The result is a real-life example of the apocryphal story of the 100-mile (160-kilometer) miracle caribou, an imaginary invention supposedly so efficient that the gasoline companies conspired to keep it off the market.

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## Marines Widen Charges Against Moscow Guards

By Stephen Engelberg  
New York Times Service

**WASHINGTON**—The U.S. Marine Corps has charged that two of its guards at the American Embassy in Moscow allowed Soviet agents to spend hours in some of the most sensitive sections of the embassy on "numerous occasions" from January to March of last year.

In its most detailed statement about the case, the Marine Corps said Friday that the two guards worked as a team. One of the guards is charged with espionage and the other is being held on suspicion of espionage.

The charges say that one acted as a lookout while the other turned off the alarms being activated by the Soviet agents. The Soviet agents then entered such areas as the defense attaché's office, the communications processing unit and "sensitive intelligence spaces."

The service also charged that one guard, Sergeant Clayton J. Lonetree, had given Soviet agents blueprints to the American embassies in Moscow and Vienna, classified documents from a bag of sensitive material supposed to be destroyed, and the identities, telephone numbers and addresses of "covert U.S. intelligence agents."

The disclosure of the charges came as the Marine Corps filed five additional charges against Sergeant Lonetree, bringing the total to 24.

They added new details to a case that administration officials have termed one of the most potentially

serious security breaches in a recent period that has already had a series of damaging spy cases. Michael V. Stuhlf, the lead defense attorney for Sergeant Lonetree, said his client would "absolutely deny these allegations."

Defense Secretary Caspar W. Weinberger said Saturday that the United States suffered "a very great loss" in the case.

"We're very, very distressed," Mr. Weinberger said in a television interview. He said the administration

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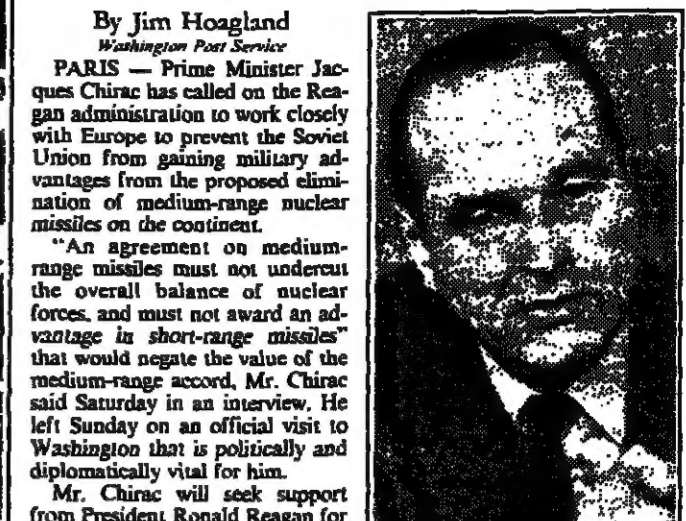
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Jacques Chirac

## Walesa Urges A Protest of Higher Prices

United Press International

**WARSAW**—Prices of food and fuel in Poland rose Sunday as part of a government economic recovery program, prompting Lech Walesa, the leader of the outlawed Solidarity labor union, to call for a "major, determined protest."

Mr. Walesa, the 1983 Nobel Peace Prize laureate, said: "For the first time I resolutely oppose price increases as the only sign of the implementation of economic reform."

The increases were announced in a broadcast on state television after state-run stores closed for the weekend on Saturday night.

Mr. Walesa, speaking to a crowd of 1,500 people after attending a church service in Gdansk, said, "If we do not undertake a major, determined protest, the country will not embark on the road to reforms. I do not know whether protest will be possible today or tomorrow."

"Solidarity activists are ready to take any action in accordance with the will of the nation," he said. "We may lose another battle. We may lose against truncheons and tanks."

After meetings with the government earlier in March, the unions, established after the suppression of Solidarity in December 1981, called the price increases "unacceptable to working people."

A statement reported by the official news agency PAP said that "the trade unions' opinions have been partly taken into account" and that, while some prices were reduced, "cushioning measures" proposed by the unions were also adopted for low-income groups.

However, Western observers said authorities may have made no significant changes in the price structure to please the unions. The official economic plan for this year, approved in December, forecast an overall rise in prices and workers' salaries this year of 14 percent.

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## Israeli Army Officer Linked To Spying on U.S. Resigns

The Associated Press

**TEL AVIV**—An Israeli Army officer indicted in the United States on charges of hiring Jonathan Jay Pollard to spy on Washington resigned as head of Israel's most prestigious air force base, Israel Television said Sunday.

Colonel Aviem Sella's promotion earlier this month created a storm of controversy with the United States, which protested the move and ordered a boycott of contacts with Colonel Sella and with the Tel Nof base.

The promotion occurred on the eve of the March 4 sentencing of Mr. Pollard, a 32-year-old Jew, to life in prison for selling hundreds

of classified U.S. military documents to Israel in 1984-85.

The state-owned television said Colonel Sella's resignation came in a letter to the chief of staff, Lieutenant General Moshe Levy, on Sunday in which Colonel Sella was quoted as saying he was acting to prevent a worsening of Israeli-U.S. ties.







## AMERICAN TOPICS

## 11 Cities' Taxis: How Far for \$5?

Fares in each city and number of miles \$5 will cover, including initial charge. Extra charges for waiting time, rush hour premiums, minimum fares, etc., are not included.

Initial fee; additional cost per mile	
Baltimore \$1.40; \$1.70	5.1 miles
Detroit \$.90; \$.90	4.8
Chicago \$1.00; \$.90	4.4
New York \$1.10; \$.90	4.3
Atlanta \$1.00; \$1.00	4.0
Houston \$1.40; \$.95	3.8
Dallas \$1.30; \$1.00	3.7
Boston \$.90; \$1.20	3.4
Philadelphia \$1.25; \$1.40	2.7
San Francisco \$1.40; \$1.50	2.4
Los Angeles \$.90; \$1.40	2.2

Source: New York City Taxi and Limousine Commission

Present rankings for taxi cab rates in 11 U.S. cities, from cheapest to most expensive. An increase in New York rates, however, will make taxis there the eighth cheapest.

## More Lawyers Opt For Part-time Work

More and more lawyers, especially women, are working part time. Given the open-ended nature of legal work, this is more easily said than done. Although some lawyers work part time to engage in pursuits like writing or acting, most are women who want to spend more time with their children. The Washington Post reports.

The trend poses new issues for a profession in which a normal full-time schedule entails much more than the standard 40-hour workweek. But with women accounting for nearly 40 percent of law school graduates, and with the demand for graduates of leading law schools still high, most law firms that permit part-time work see it as a necessary evil.

"It's something that we do to accommodate our lawyers when they have personal situations that they must cope with and we do what we can to assist them," said Edward Bruce, partner and personnel manager at Covington & Burling in Washington. But he added, "I don't think any law firm manager could ever sit down and say, 'I want to structure my firm so that we have part-time lawyers.'"

## Short Takes

New York City's taxi commission has voted to raise cab fares by 22 percent, the first increase in seven years. This will give the typical driver the same income he had in 1980, adjusted for inflation. The initial charge will go up only five cents, to \$1.15, but the cost per mile will increase from 90 cents to \$1.20. The new rates are intended to encourage

drivers to take fares to the outer boroughs beyond Manhattan, where they often refuse to go. The increase will make New York taxis only the eighth cheapest of those in 11 major U.S. cities. Until now, they had been the fourth cheapest.

More than 600 guests of an investment banking firm are going to Alcatraz, but only for a party. The island in San Francisco Bay was a federal penitentiary from 1934 to 1963. It has been visited by 10 million tourists since 1972, when it became a national park, but April 27 will be the first time it has been rented for a party, by the San Francisco firm of Hambrecht & Quist.

How to lie while literally telling the truth in letters of recommendation is explained by Robert Thornton, an economics professor at Lehigh University in Bethlehem, Pennsylvania. You are writing a letter for an extremely lazy friend. So you write: "In my opinion, you will be very fortunate to get this person to work for you." To describe someone who is utterly inept: "I most enthusiastically recommend this candidate with no qualifications whatsoever." To describe someone not worth considering: "I would urge you to waste no time in making this candidate an offer of employment."

## Notes About People

The Heritage Foundation, a collection of panel discussions called "The Third Generation: Young Conservatives Look to the Future," changed the dedication from Whitaker Chambers,

a conservative who died in 1961, to Clare Boothe Luce, a conservative who is 83. "Our feeling was that Clare Boothe Luce is alive, and Whitaker Chambers isn't," said the editor of the collection, Benjamin Hart. "And since Clare Boothe Luce is on the board and Whitaker Chambers isn't, and basically they're both historical figures, it's better to honor someone who is still with us."

The Federal Election Commission decided to let John Glenn transfer about \$800,000 left over from his successful 1986 campaign for re-election as Democratic senator from Ohio to his unsuccessful 1984 run for the presidency, reducing the \$2.8 million debt for that campaign accordingly.

Eugene McCarthy, a U.S. senator from 1953 to 1970 and presidential candidate in 1968, 1972 and 1976, has published a memoir, "Up 'Til Now," in which he lambastes the Carter administration as a "vague mix" of contradictions, of vacillation, of moralizing, and accuses his fellow Minnesota Democrat, Walter F. Mondale, of pandering to unions, teachers and the National Organization for Women in his 1984 presidential campaign. Mr. McCarthy, 71, says he is skeptical of perennial reforms of the political process: "If you purify the pond, the water lilies die."

"I see stopping making films at a certain point because they're strenuous," Woody Allen, 51, who writes, directs and acts in his own films, told Esquire magazine. "I almost feel I'd like to do that now." He said it would "be fun just to lollygag around the house, and practice the clarinet, and write."

—ARTHUR HIGBEE

## TV Preachers: Deep Divisions on Style and Theology

By Robert Reinhold  
New York Times Service

HOUSTON — The Jim Bakker episode has brought to the surface longstanding but latent doctrinal and stylistic divisions within the closely related but sometimes fiercely competitive family of American television preachers.

The resignation of Mr. Bakker as president of the PTL Network in Fort Mill, South Carolina, after he admitted having adultery with a church secretary six years ago, has deepened a growing rift between evangelicals like Mr. Bakker, who openly espouse an affluent style of life for Christians as reward for their belief, and those like the Reverend Jimmy Swaggart of Baton Rouge, Louisiana, who preach a sterner version of the Gospel and prefer an image of austerity.

Mr. Swaggart, who belongs to the same Assemblies of God denomination and holds the same Pentecostal, or charismatic, religious tenets as Mr. Bakker, brought about the PTL leader's fall from grace.

But while both may be members of the Pentecostal movement, which stresses personal spiritual experience, Mr. Swaggart and others like him have little patience with the cheerful, expert-sermon preaching of Mr. Bakker, whose PTL organization runs a Christian theme park.

"The Gospel is not entertainment," Mr. Swaggart told The Associated Press on Friday in a pointed reference to Mr. Bakker. "It is very sober. It has no place for amusement parks."

The television preachers involved in the Bakker episode all espouse a form of Christianity that is peculiarly American in its origins and practice. Broadly speaking, they are evangelicals who zealously seek converts and believe that salvation will be achieved through personal "rebirth" or conversion.

But beyond that, the group is deeply divided in both style and theology, and the divisions have become all the more complex and confusing, given the unlikely alliances and antipathies that have emerged since Mr. Bakker's resignation.

Mr. Swaggart, ostensibly similar theologically, has emerged as Mr.

Bakker's chief foe. And oddly, from a theological viewpoint, Mr. Bakker was replaced at PTL by the Reverend Jerry Falwell, a fundamentalist from Lynchburg, Virginia, who has long shunned charismatic Pentecostalism.

But Mr. Bakker gained support from another charismatic, the Reverend Oral Roberts of Tulsa, Oklahoma. On the periphery of the dispute are the Reverend Pat Robertson of Virginia Beach, Vir-

**'On the surface they appear very similar, but they have a radically different perception of God and theology.'**

—Jeffrey K. Hadden,  
co-author of 'Prime Time Preachers'

ginia, a more polished Pentecostalist than the others, and the Reverend Robert Schuller of Garden Grove, California, the only mainstream Protestant among the most popular television evangelists.

Charismatics hold that after the initial experience of conversion, all Christians should seek a later experience, the "baptism of the Holy Spirit," a reference to the experience of the disciples of Jesus on the Jewish feast of Shavuot, 50 days after Passover in the year Jesus was crucified. This is now marked on the seventh Sunday after Easter by the feast of Pentecost.

Charismatics stress spiritualism rather than doctrine, believing in special "gifts" enumerated by the Apostle Paul, such as speaking in ecstatic, trance-produced "tongues," as well as prophecy, faith healing and miracles.

But Mr. Bakker, and Mr. Roberts as well, evolved what some have called a "health and wealth" theology, which holds that good Christians will enjoy prosperity because of their belief and makes no apologies for luxuries or instant gratification.

Their ideas followed the growth of charismatic religion among the affluent beginning in the 1960s, according to Professor Martin E. Marty, an expert of modern Christianity at the University of Chicago. People were encouraged to give money and gain more in return, Mr. Marty said, comparing the appeal of the television shows to that of a lottery.

Thus instant gratification, in his view, replaced self-denial. Where once religious women did not wear makeup, fancy clothes or revealing swimsuits, Mr. Bakker and his wife, Tammy Faye, not only encouraged beauty contests but even marketed their own line of cosmetics.

"It largely amounts to rationalization of upward mobility," said Professor William Martin, a sociologist of religion at Rice University in Houston. "It also serves to justify the lavish life of a preacher like Mr. Bakker: God wanted it."

Many others find this Bakker gospel a little too soft when it comes to sin and forgiveness. And so theologians were surprised when Mr. Swaggart, whose harsh style contrasts sharply with Mr. Bakker's, emerged to expose the latter's adultery.

"On the surface they appear very similar," said Professor Jeffrey K. Hadden, a co-author of "Prime Time Preachers" and a sociologist of religion at the University of Virginia. "But they have a radically different perception of God and theology."

In contrast to Mr. Bakker and Mr. Roberts, Mr. Swaggart is more apt to damn the sinner and name names.

But that PTL should have fallen into the hands of a fundamentalist like Mr. Falwell stunned scholars. Mr. Falwell, a nondenominational Independent Baptist who considers himself stricter than Southern Baptists, comes from a rigid tradition that believes in the "inerrancy" of the Bible.

He has long been uncomfortable with speaking in "tongues" and other manifestations of Pentecostalism, and he eschews revival theatrics. Mr. Marty said fundamentalists like Mr. Falwell are highly rationalistic and structured, and suspicious of the unexpected revelations of the charismatics.



The Reverend Jimmy Swaggart responding to press conference questions in Los Angeles about the Bakker episode.

## Pretoria Minister Killed, Suicide Suspected

CAPE TOWN — John Wiley, the South African minister of environmental affairs and tourism, was found Sunday dead in his bed with a bullet wound in his right temple, the police said.

An police officer at the scene said it appeared that Mr. Wiley had committed suicide. A 30-caliber pistol was found beside him, and a police spokesman said that "no crime is suspected."

Sources at Parliament said that

Mr. Wiley, 60, a former attorney, had been involved in property speculation and had been trying recently to sell some of his holdings.

Mr. Wiley had been a member of the white Parliament for 21 years, representing his Simonstown constituency near Cape Town for three different political parties.

He was to have been a candidate for the National Party in parliamentary elections scheduled for May 6. The party must find a new

candidate for the Simonstown constituency by Tuesday.

He joined the ruling National Party in 1980 and the cabinet in 1982.

## Soviet-Czech Visit Set

MOSCOW — Mikhail S. Gorbachev, the Soviet leader, will make an official visit to Czechoslovakia early in April, Tass said Sunday.

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# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

## Trade Is in Trouble

Momentous decisions being made in Washington now rock the world economy. On Friday President Reagan announced the most sweeping trade sanctions against Japan since World War II, in retaliation for alleged dumping of computer chips. Meanwhile, new and restrictive trade legislation winds its way through Congress. Unmistakably, the danger signals flash. Unquestionably, world leaders have to put free and fair trade back at the top of their agenda, and quickly.

If Mr. Reagan's facts are correct about Japanese violations of agreements on semiconductors, his response seems appropriate — as an interim step. He proposes to slap as much as 100 percent duties on key Japanese imports. No long-term solution, to be sure. But, handled with care, it should start a process of verifying exactly what went wrong on the semiconductor agreement, and fix Japanese attention on the larger problem. It is not clear how the Reagan response will affect protectionist fervors in Congress. It comes at just that point where at least some legislators are attacking the key question: Is it possible to preserve the benefits of protectionism and still preserve the benefits of free trade? Dan Rostenkowski, master of compromise and chairman of the House Ways and Means Committee, has designed a trade bill that comes remarkably close.

The Rostenkowski plan, now approved by his committee, is a good start, but the House may still produce as bad a bill as it

did last year and foster trade wars. Like last year's House bill, the Rostenkowski compromise strips away too much of the president's flexibility to manage bilateral trade issues. But it provides ample authority for multilateral trade talks, while the proposed Senate legislation is harmfully tentative.

The biggest problem with last year's House bill was a protectionist provision advocated by organized labor and by Representative Richard Gephardt, the Democratic presidential hopeful, and now supported by Speaker Jim Wright. The Gephardt amendment would require Washington to take action against countries that have excessive trade surpluses with the United States and whose trade practices are deemed unfair. Retaliation would be mandatory unless the surpluses shrank by 10 percent each year.

The Rostenkowski bill provides for retaliation only if negotiations fail, but wrongly lets the U.S. trade representative rather than the president decide whether to act.

What is fundamentally wrong here is the notion prevalent in Congress that countries should negotiate trade balances bilaterally. That contradicts half a century of healthy multilateral trade expansion. The right way to solve trade problems is not with bilateral threats and restrictions but by promoting global economic growth. Let us hope that the shock of the Reagan retaliation sets leaders back on that course.

—THE NEW YORK TIMES.

## Waiting for La Prensa

Violeta Chamorro, publisher of La Prensa in Managua, was in Washington Friday to receive an award for her newspaper, which the Sandinista regime has kept from publishing since last June, deserve 10 awards. They are the underdogs in an uphill struggle, and despite great pressures and hardships they refuse to leave the field. In the — literally — minutes between the regime's pronouncement of a new free-press constitution and its declaration of a state of siege in January, for instance, La Prensa sought to publish a daily edition and was refused.

The Sandinistas silenced La Prensa and the few remaining independent radio stations in order to consolidate their media monopoly and to deny to their democratic opposition the vital means of communication and solidarity. For the same reasons, prisoners are isolated in separate cells. La Prensa had been accused of violating no laws. It was denied due process. Since that time the government has allowed the owners of La Prensa to hold their property and to keep on a small staff but, of course, not to publish. In that way the paper is kept in a token state of formal suspension, and the Chamorro resources are drained.

Mrs. Chamorro takes no part in "the debate over armed struggle" — in the issue of support for the Nicaraguan armed resistance that is at the center of U.S. attention.

What is at the center of her attention is "the ideological struggle," by which she means the long-range effort to keep alive the ways of independent thinking that the Sandinistas find threatening — and that they threaten. La Prensa performed that function with valor in the times of the Somoza dictatorship, which assassinated her husband in 1978. In a fling of hope, Mrs. Chamorro joined the first junta put in place by the Sandinistas after the Nicaraguan revolution. Soon disillusioned, she left to take up the fight that consumes her now.

Someone like Mrs. Chamorro could be pardoned for thinking that freedom of the press is almost everything. In conditions in which La Prensa was publishing freely, Nicaragua would be a place entirely different from the replica of Communist Cuba that the Sandinistas seemingly want to turn it into. That is why all serious diplomatic initiatives, including the current one launched by Costa Rica, come quickly to urge the regime to demonstrate good faith by allowing the paper back in business. There is no better way to signify a readiness to stop shrinking the political space in Nicaragua and to start expanding it — to draw Nicaraguans back into a common dialogue rather than push desperate political rivals into a continuing civil war.

—THE WASHINGTON POST.

## A Relic in Paraguay

When Clyde Taylor, U.S. ambassador to Paraguay, protests the barbarities of South America's oldest dictatorship and defends its beleaguered democrats, he faithfully expresses the best values and the most sensitive interests of the American people.

General Alfredo Stroessner, the Paraguayan strongman, would deny all that, and more. He is enraged by Ambassador Taylor's forthright protests against censorship, his meetings with opposition figures and his calls for transition to democracy. The general's loyalists have threatened to burn down the U.S. Embassy. They recently staged a tear gas attack on a reception given in Mr. Taylor's honor. These are affronts to decency, to the United States and to the laws governing the treatment of diplomats.

Ambassador Taylor's performance puts him on the diplomatic honor roll, along with career Foreign Service colleagues like Harry Barnes in Chile, Deane Hinton in Pakistan and Stephen Bosworth, now departing the Philippines. All have combined courage with effective diplomacy in delicate assignments. Their performance has helped guide the United States toward wise and

principled policies that protect against the temptation simply to go along with power.

The Reagan administration rightly groups its beleaguered democrats, he faithfully expresses the best values and the most sensitive interests of the American people.

General Stroessner stands out, even from such company. The other dictators, for all their crimes, modernized enough to allow their countries to outgrow them. Paraguay's general has imposed a stifling lid on his people. With his actions on behalf of decency and democracy, Ambassador Taylor serves Paraguay and the United States.

—THE NEW YORK TIMES.

## Other Comment

### Put British Interests First

We are now paying the price of our own foolishness. We have refused to face facts and have persisted in burdening our industry with an overvalued exchange rate, high interest rates and domestic deflation. As a consequence, we have handed to the Japanese a major share of our markets both at home and abroad. We have then compounded this error by insisting on our faith in free trade. It is little wonder, in the light of this self-delusion and incompetence, that the Japanese now regard our political leaders with almost open contempt.

The Japanese still have a huge margin of competitiveness, based on the very low unit costs they are able to achieve by selling mass-produced manufactured goods to the world. It is on the basis of this manufacturing success that they have achieved a per capita income more than twice as high as ours. What is now required is a long-term strategy to redress the competitive imbalance.

That strategy must include many of the elements which the Japanese have used so successfully — some degree of protection, a consistent level of domestic demand, the availability of long-term and cheap finance, an interest rate and exchange rate policy designed to suit the interests of industry, and a hardheaded determination to put our own interests first.

If we are to succeed in avoiding further domination by the Japanese, we must of course get tough with them in the short term, without necessarily being too scrupulous about the letter of our international obligations. [But] getting tough will work only if it is part of an overall strategy to overcome our endemic industrial weakness. The Japanese threaten to destroy our industry because they are better at it than we are. There is little sign so far of any readiness to recognize, let alone face up to, that problem.

—Bryan Gould, the Labor Party's election campaign coordinator and a member of Parliament, writing in *The Sunday Times* (London).

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## OPINION



## Irangate: Questions For Shultz

By Jim Hoagland

PARIS — It is hard to explain to foreign friends why a man as well connected as George Shultz has to go to Capitol Hill rattling a tin cup and pleading with Congress to restore the State Department's budget cuts.

"If we are to continue our role as a world power," the secretary of state warned an apparently flustered House subcommittee, "we must be prepared to fund a foreign affairs policy and a budget for operations of the size and dimension to support it."

Why doesn't Mr. Shultz simply turn to the sultan of Brunei, or those other oil-rich covert spendthrifts, the Saudis, and ask them to pitch in a couple of extra hundred million to bolster foreign aid and save the seven U.S. consultants that Mr. Shultz is closing this year for lack of money?

If Congress insists on refusing to come up with the missing \$50 million, does the Philippines in military aid, surely King Fahd and his ambassadors will set up a monthly deposit plan to help America keep its bases there and keep Manila from going Communist. And Americans would no doubt look forward to visiting the refurbished Sultan Sir Hassan al-Bukhari-Ronald Reagan U.S. Consulate in Frankfurt (A Joint Venture).

This absurd scenario is in fact the logical extension of Mr. Shultz's willingness to seek out secret funds from abroad to support the Nicaraguan contra last summer, when congressional funding was not available.

With all the other exotic angles of the Irangate scandal to explore, investigators, the press and the public have tended to slight one of the most challenging questions on the fringe of the scandal: Is it proper for policy makers to solicit money directly and covertly from other governments for U.S. foreign policy objectives, especially objectives that are intensely contested by Congress?

Mr. Shultz and his assistant secretary of state for Latin America, Elliott Abrams, clearly thought it was proper. They asked the sultan last summer to dig a little way down into his deep pockets for a \$10 million contribution to Ronald Reagan's favorite anti-Communist charity, the contra. Mr. Abrams' testimony to the Tower commission suggests that it was his idea, although he does not explain how he fastened on the sultan as the contra's sugar daddy.

Would Brunei have made such a donation if the sultan had been asked in contra leader Adolfo Calero's name instead of George Shultz's? Would he have put the \$10 million up as rapidly if someone other than Mr. Abrams had given the sultan's operatives the instructions to see a Geneva account (from which the money promptly vanished)? In short, would there have been a deal without the implication that the sultan would be getting closer to Mr. Shultz and thus to President Reagan by making the donation?

Influence peddlers never think of themselves as such: only others do. George Shultz would tell you out of his office if you asked him to do the things that have helped land Michael Deaver in such trouble. But if the payoff went to the contra and not to him, would he have been as alert to the appearance of a conflict-of-interest?

A final question: Was Mr. Shultz sufficiently sensitive to how his request may have appeared to a leader from a totally different culture — particularly to a foreign leader who had already made it known that he might be willing to pay to have his voice heard in the White House?

A few months before Mr. Abrams worked out the donation, Brunei's embassy staff in Washington hosted Mr. Deaver at lunch at Jean Louis, the Watergate's exclusive restaurant, and quizzed him on what kind of access they could expect if Brunei hired him. (They apparently never did.)

The sultan, the Tower commission and President Reagan seem to have accepted, with no hard feelings on anyone's part, that it was not the fault of Mr. Shultz or Mr. Abrams that the \$10 million went astray. It appears to have been a bauble that the sultan did not mind losing.

What brought all of this to mind was a news agency dispatch out of Bangkok, in the Central African Republic, where deposed Jean Bédel Bokassa is on trial for theft, treason, murder and other heinous crimes. He was questioned a few days ago about the millions that went astray when he was ruler. "I cannot be expected to remember all the details. I was emperor, not an accountant," he said, providing the ultimate defense for a public official in his position.

Washington, too, would have been better served by having more accountants and fewer emperors watching over the Reagan administration's covert foreign policies in recent years.

The Washington Post.

## The Stalinist Damage to Be Undone Is Enormous

By William Pfaff

LENINGRAD — This is a middle-class city deprived of a middle class. The 19th-century houses and shops that line the streets which parallel the Neva River and the city's canals are shabby and dirty, unmaintained, while the monuments of imperial Russia — Winter Palace and Hermitage, Peter the Great's Admiralty, the Orthodox cathedrals of the old regime — have been aggressively restored by the Communist authorities to what surely is a more gold-leafed and vulgar splendor than they possessed before.

Why? Some say it is to gratify the pride of Russians in their national past. Some might think that it is to intimidate the people with evidence of what it was that the revolution overthrew. Possibly it is both. This is a time of confusion for Russians. Mikhail Gorbachev's *glasnost* adds to a dangerous confusion.

Scarcely 300 kilometers from here is Helsinki. Finland also underwent terrible ordeals in World War II, and after the war the Finns had to pay huge reparations to the Soviet Union. Today Helsinki is a bustling, efficient, European city in a prosperous welfare state. Leningrad resembles a Third World capital. Its great buildings are irrelevant monuments, left behind from a colonial age that no one now alive can remember.

Why should such a contrast exist between two places with connected histories and much the same resources and population? The difference

in economic systems explains much, obviously. But a crucial second difference exists in what has happened to Russian society since 1918. Russia systematically destroyed its elites, and in some real and grave

To stop the lies is an immense undertaking. Russian history is full of grand ambitions eventually aborted.

ence weakened its intellectual capacity to respond to reality.

The Bolshevik revolution destroyed or sent into exile the country's hereditary elite and a major part of the entrepreneurial upper middle class. The surviving middle class was deprived of property and position.

Next, the independent peasantry was destroyed by the artificially created famines of 1929-1933, meant to force the peasants onto collective farms. The economic intention was to transfer resources and labor to heavy industry. Something like five and a half million people were killed or deliberately starved to death. The practical outcome was the destruction of efficient farming in the Soviet Union. The collectivized farm system

has never been able to meet the agricultural needs of the country, which before had been a food exporter.

With the aristocracy, the propertied middle class and the independent peasantry destroyed, Stalin turned on the intelligentsia, both the liberal non-Communist intelligentsia and the revolutionary intellectuals who had supported the revolution and dominated the Bolshevik Party in its early years. In the great purges of the 1930s and 1940s he murdered them.

One is tempted to say he murdered them all. The 1936-1938 purge alone claimed some seven to eight million victims, half of them killed, including a third of the membership of the Soviet Communist Party, six out of 13 members of the Politburo, a third of the membership of the Supreme Soviet, 1,100 out of 1,966 delegates to the 1934 party congress, three of the Red Army's five marshals, 13 out of 15 army commanders, etc.

The result was a nation in which intelligence had been mercilessly suppressed, sophistication hunted down, independent judgment made a penal offense. Stalin was succeeded by inadequate and terrified men who had made careers in his shadow.

The best was Nikita Khrushchev, an uneducated man of peasant origin who possessed the moral equilibrium to reveal what had gone on under Stalin, and to take the first steps toward lifting the legacy of horror.

He was found too original by the dim and frightened men who still dominated the party, and he was removed. The significance of *glasnost* under Mikhail Gorbachev is that a new intelligentsia has finally come to power, a bureaucratic and bourgeois one which has grown up since Stalin's time, aware of the outer world and its standards. It is able to make comparisons with other systems, and serious enough to draw pragmatic conclusions. It is simply aware that the Soviet Union, relative to the United States, Japan and Western Europe, is a nation in decline.

It is an intelligentsia in rebellion against lies — the aggressive but pathetic lies that Soviet leaders have been telling for 70 years. One of the projects now under way is a new rewriting of Soviet history; the ambition is to eliminate lies.

To stop the lies is an immense undertaking. Russian history is full of grand ambitions badly executed, eventually aborted. That the Gorbachev reforms will succeed is open to the most serious doubt.

No one knows what they would produce even if they succeeded. They are being attempted because the situation in which Mr. Gorbachev finds himself allows no choice.

Contrary to ideas current in Washington, the outlook before the Soviet Union is bleak. And Mr. Gorbachev is working against time.

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## Democrats and Taxes: The Speaker Has a Problem

By Tom Wicker

NEW YORK — Speaker Jim Wright, among other Democrats, has been chastised for a "political death wish" — wanting to raise taxes to reduce the federal deficit. But Congressman Wright recently insisted over lunch that he has a problem that only a tax increase can ease.

President Reagan has sent Congress his annual dishonest budget, as usual featuring inflated revenue estimates, new taxes disguised as "user fees" and spending cuts that no one believes can be made. This spurious document does project, however, a fiscal 1988 deficit of about \$108 billion — the legal limit set by the Gramm-Rudman-Hollings law passed by a panicky Congress with the support of Jim Wright.

The president's budget has put the Democrats under pressure to produce their own budget, with a deficit of about the same size. They say it cannot be done honestly without cuts in essential government services that congressional constituencies would never accept; or without tax increases to produce additional revenues; or without a combination of spending reductions and new taxes.

Complicating the matter is Mr. Reagan's adamant stand against new taxes, except for the subterfuges he has himself proposed. Jim Wright's problem, and that of other Democratic leaders in the House and Senate, is that they must either risk Mr. Reagan's denunciation and veto of a tax increase, or labor under his potent charges that their failure to meet the arbitrary Gramm-Rudman deficit target confirms them as

the "big spenders" he always said they were.

The speaker's favored solution is (a) to accept Mr. Reagan's inflated revenue estimates, knowing full well that the reality will fall short; (b) to cut \$18 billion, half in domestic social and half in military spending, from the fiscal 1988 budget; (c) to find \$18 billion in new revenues.

That would trim the deficit to about \$111 billion, on paper at least, and near enough to the Gramm-Rudman target to satisfy legality. But even this course will not be easy. Aside from the tax issue, the administration will resist a cut of that size in the Pentagon budget. And a reduction of about \$10.5 billion would need to be made in domestic spending, to allow room for about \$1.5 billion in "initiatives" like welfare reform.

What are the alternatives? • The Democrats could accept Mr. Reagan's budget, but that would mean an impossible \$30 billion in spending cuts and \$6.5 billion in "user fees" that Mr. Wright calls "the wrong taxes," since they would hit lower- and middle-income Americans harder than the wealthy.

• The Democrats could repeat Gramm-Rudman, produce an honest budget and blame its high deficit on Ronald Reagan's 1981 tax cuts and his profligate military spending. But Mr. Wright's political judgment is that congressional Democrats would have neither the courage to do

this nor the better of the resulting political argument with the president and his party.

• They could repeat Gramm-Rudman and go on the offensive by initiating a big public works program to reduce unemployment massively. This would initially increase the deficit but ultimately reduce it by about \$30 billion a year for each percentage point cut from the unemployment rate. Mr. Wright, not personally unsympathetic to this idea, throws up his hands at the prospect of getting it through a deficit-conscious Congress, and Mr. Reagan's veto and across to the voters.

The speaker's view is that no program costing big money is politically possible until the deficit has been substantially reduced — and he believes that is what Mr. Reagan has had in mind all along.

So Mr. Wright will continue to push for a new tax, in the somewhat forlorn hope that a weakened president can be pressured into supporting it. Mr. Reagan did limit his opposition at his recent news conference to a "tax-rate" increase, which suggests that he might accept a new gasoline tax or an oil import fee — particularly if it had the support of Howard Baker, now the president's senior adviser.

Chairman Dan Rostenkowski of the Ways and Means Committee also favors that approach.

But if Mr. Reagan will not be pressured, he will veto a Democratic tax increase, his party will get a new opportunity to shout "Tax and spend!" and next year's Democratic presidential nominees will have a problem bigger than Jim Wright's.

The New York Times.

## NATO: United They Stand on a Splintered Pedestal

By Giles Merritt

BRUSSELS — The trans-Atlantic rift in NATO goes a good deal deeper than we think. The tensions now being created by the superpowers' "zero option" negotiations over the Europeans' heads on scrapping Euro-missiles, and by European ambitions for a defense policy forum parallel to NATO from which America would be excluded, are serious. But they are only the symptoms of a malaise that NATO has been incubating for years.

The decoupling of American and European defense policies is in some ways already far advanced. In strategic terms — security of the Gulf oil supply routes, for instance — NATO will remain united. But there is much more to a defensive alliance than unity in the face of a common foe.

NATO is being torn by the bitter rivalries of the American and European defense industries, and by dissonance between governments over the cost of defense. The United States accuses Europe of not paying its "fair share" of NATO's costs. Europeans resent the way American companies still grab the lion's share of NATO arms procurement contracts.

Jealousy and dissatisfaction have multiplied in the 1980s. Economic recession and the scramble to avoid losing out in the high-tech revolution of computers and microelectronics have made defense contracts more important than ever. Competition between the aerospace and advanced weapons technology companies within NATO is made razor sharp by the knowledge that defense work is increasingly the key to survival and to technological supremacy.

Europe's failing computer companies know that IBM came a colossal way with \$50 billion-plus annual sales thanks to defense spending. Only 25 years ago, IBM was selling just 20 percent of its computers on the commercial market. The rest was going to the Pentagon and to other U.S. government purchasers.

European industrialists would like that sort of a shot in the arm for themselves. But they have discovered, with mounting alarm, that NATO

procurement is very tightly tied up by the big American defense companies. Britain, France, West Germany and Italy, the major arms manufacturers in Europe, take between 73 and 89 percent of their arms imports from the United States, rather than from each other. As to the "two-way street" that Washington used to talk about when reassuring Europe that the Pentagon would in turn buy lots of non-American defense equipment, it is nowadays a 7-to-1 imbalance in U.S. industry's favor.

The West European defense and aerospace companies have well over a million jobs on their payrolls, and they know that military contracts will probably decide which of them survive into the 1990s. They also know that research and development work on advanced weapons systems ensures a company a place in the forefront of new industrial technologies. To boost their cross-border armaments ventures and to cut out wasteful duplications, the European NATO allies have resorted to coordinating mechanisms like Eurogroup and the Independent European Planning Group. The way forward, say European experts, is to harness the common market framework to the problem and build a new "European defense industrial community."

To American eyes, NATO Europe's taxpayers contribute \$110 billion a year to defense, while the U.S. defense budget is three times that. In Europe, analysts say that if living standards, currency fluctuations and other eco-

nomic factors are taken into account, a country like Britain is in real terms paying almost half again as much per capita for defense as America.

More squabbling is the last thing the alliance needs as it heads toward a U.S.-Soviet arms control pact that risks being profoundly divisive inside NATO. But if, as seems increasingly likely, the United States and the West Europeans are going to have to restate their security and defense relationship, then these are issues that must not be left to fester.

International Herald Tribune.

## IN OUR PAGES, 75 AND 50 YEARS AGO

### 1912: A Minimum Wage

LONDON — The Minimum Wage Bill became law with the notification [on March 29] of the Royal assent. The indications from nearly all the great coalfields are that the miners' ballot will result in a large majority accepting the bill and returning to work forthwith. Prominent leaders of the men have spoken in favor of the early restarting of the pits. All was quiet at Chirk, North Wales, [on March 29], but a miner who had returned to work under military protection at the Brynkinalt colliery having been killed by an accident in the pit, the other men ceased working. The time when a fall of the roof occurred, and he was crushed against a sharp stone. When the soldiers guarding the mine learnt of the accident, they subscribed £11 for the widow and family.

### 1937: Savings or Taxes

WASHINGTON — On the basis of current Treasury figures, informed sources stated that President Roosevelt is confronted with a choice of either curtailing spending or levying new taxes in order to balance the budget. Revenue is estimated at more than \$400,000,000 below the Treasury estimates, while the situation is expected to be made worse by the new spending proposals before Congress. Included among these is a \$100,000,000 and \$150,000,000 for the low rent housing plan, farm tenant program, Harry L. Hopkins Federal Emergency Relief Department, has been lobbying for a permanent annual appropriation of \$2,500,000,000 which, if adopted, would make it almost certain the budget would not be balanced for another entire fiscal year.











EUROBONDS

Glory Days May Be Over  
For the Eurodollar Sector

By CARL GEWIRTZ  
International Herald Tribune

PARIS — The traditionally dominant sector of the international capital market looked like a wasteland last week. The volume of new fixed-income, non-equity-linked dollar Eurobonds trickled to a near halt while trading in the secondary market for dollar-straight bonds — now some 35 percent below the level of early January and about 60 percent off from a year ago — continued to contract.

The renewed flux in the foreign exchange market last week was a major demoralizing factor. The dollar was again under pressure, hitting a 40-year low against the yen.

But the total dearth of demand left bankers theorizing that the glory days of the Eurodollar sector of the bond market may be over. All during this decade the Eurodollar market has expanded at an exceptional rate, on average 43 percent a year, with the dollar accounting for an ever larger share of the total — an average 71 percent of annual volume.

Now, some bankers are beginning to question whether investors are not simply filled up, over-committed to fixed-income Eurodollar bonds and unwilling to buy more. The risk of continued currency weakness and the likelihood that interest rates may soon increase are further disincentives to buying straight Eurodollar bonds.

"It's no longer a question of price," said a London-based banker. "There simply is no appetite for straight dollar bonds. After the growth of the past five years, investor portfolios are overweighted in dollars."

"It's not a question of price. There is simply no appetite for straight dollar bonds."

The one exception to this is dollar bonds linked to equity — either bonds directly convertible into stock or bonds bearing warrants to buy shares. So far this year, \$1.5 billion of convertible bonds have been issued and \$2.7 billion worth of warrant bonds, accounting for 25 percent of the total Eurodollar bonds issued in the first quarter.

Even the Japanese, who have been large buyers of straight dollar bonds, are retreating. They now favor stocks, or equity-linked bonds, rather than straight bonds for their dollar investments, and other currencies for their fixed-income holdings.

THE Ministry of Finance reported last week that Japanese net purchases of foreign stocks jumped to \$1.52 billion in February from \$1.13 billion in January, nearly matching last December's record \$1.55 billion. Net purchases of foreign bonds, excluding bills, dropped to \$9.41 billion from \$10.46 billion in January.

While the official report gave no currency breakdown on the bond purchases, bankers say that increasing amounts of Japanese funds are going into Australian and Canadian dollars, European currency units and, of course, Euroyen.

Even market professionals expressed surprise last week at the large volume of Australian-dollar bonds that were issued and the apparent ease with which they were being placed. A cut in the Australian discount rate last week fueled expectations of lower market interest rates, while the currency — in part buoyed by the large foreign purchases to subscribe to the new Eurobonds — strengthened on the foreign exchange market.

Meanwhile, in the Euroyen market, a new low was set with Norway setting a coupon of 44 percent on its 60 billion of five-year notes priced at 101.1. Allowing for the 1% percent underwriting fees, Norway's cost of money was a thin 4.3 percent. At that rate, the yen topped the Swiss franc from its traditional role as the cheapest source of fixed-rate finance.

The issue that best captured the mood of the market was a dual currency bond launched by Commonwealth Bank of Australia offering investors a higher current yen income than available on traditional Euroyen bonds and a gamble on the Australian dollar-yen exchange rate five years from now.

The Australian bank's 15 billion yen of five-year notes pay annual interest of 8 percent in yen. But at redemption, holders will be repaid in Australian dollars at the rate of \$3.91 yen per dollar. The current rate is 103.62 yen. If the dollar has depreciated more than that, investors would make a profit on this fixed exchange rate.

For the borrower, the certain depreciation in the redemption price about equals the higher interest payment than would have to be paid now to borrow directly in yen.

Although the move away from the U.S. dollar appears to be gathering steam, the trend has been apparent since the beginning of the year. This is shown by the data for the first quarter, supplied by Salomon Brothers.

Total volume of new Eurobonds, at \$46.2 billion, is up 23 percent from the previous quarter — a good part of this due to the substantial depreciation due to translating all figures back into U.S. dollars. The loss of the dollar's share of total business has been dramatic — a record low 36 percent in the first quarter.

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Magazine  
Disputes  
VW Denial

Auditors Knew  
Of Fraud in '85

United Press International

HAMBURG — Volkswagen AG auditors found large shortages in the automaker's currency trading operation more than a year ago, the West German news weekly Der Spiegel reported Sunday. As recently as November the company management was still denying that any deficits had been uncovered.

Der Spiegel said the corporate auditing firm of Treuhand, in a report to Volkswagen dated Dec. 31, 1985, informed the management of a potential 182 million Deutsche mark (\$100 million) shortage caused by nine different currency transactions with one bank.

But this past November, the Volkswagen managing board chairman, Carl H. Hahn, denied that the company had come up short in its foreign currency dealings.

Rumors about major deficits in the currency dealings spread through the West German stock exchange last October, prompting management to launch an in-house investigation.

Finally, on March 10, management had indeed lost 480 million DM as the result of fraudulent currency transactions.

Volkswagen promptly filed charges of forgery, breach of trust and fraud against "unknown persons" both within and outside the company.

Since then, the company's finance chief has been replaced and its relief currency dealer, who was relieved of his duties in January when management investigators discovered the discrepancies, has been fired.

Investigators have followed a trail that has led to the Hungarian National Bank and to a Frankfurt currency broker who disappeared. But the fraud case apparently remains unresolved.

Volkswagen has said that it covered the previous year's revenue loss and that stockholders had been assured their 10 DM-a-share dividend was not in jeopardy.

Karl Gustaf Rajen, chairman of the Volkswagen supervisory board, said, "In this case a degree of criminal energy has been brought into play which until now was unimaginable in a German company."

The Hungarian bank, while admitting that its name had been used in the fraudulent foreign exchange contracts, has denied any misconduct.

Garcia's Stand on Debt  
Wins Support in Mexico

By William A. Orme Jr.  
Washington Post Service

MEXICO CITY — President Alan Garcia Pérez of Peru received a warm welcome here last week that underscored the political appeal of Peru's defiant debt stance and the continuing doubts about Mexico's new loan agreement.

Mexico's latest credit pact with its commercial bank lenders, for \$7.7 billion, was signed in New York March 20, following six months of resistance by scores of smaller banks. Mexico expects the first \$3.5 billion loan disbursement in late April, its Finance Secretary said. The nation also is to receive \$7 billion from government lenders and improved terms for old debts.

The accord was hailed by U.S. and Mexican officials as an exemplary case of debtor-creditor cooperation. But it is criticized at home by business and rightist opposition leaders who say bankers aren't requiring sufficient progress in budget cutting or the sale of state industry. Some economists challenge government claims that the credit will significantly boost growth, while others who accept the contention question its cost.

Critics on the left complain that the loan pact simply postpones the search for a lasting solution to the debt problem.

A preferable alternative, a leading political columnist suggested as Mr. Garcia arrived for a state visit last week, was the "encouraging and imitable" example set by Peru.

Shortly after taking power in mid-1985, Mr. Garcia said no more than 10 percent of Peru's export earnings would be spent on servicing foreign debt. The hard-currency savings helped the economy expand by 8 percent last year, reversing a decade of negative per capita growth.

Mexico, by contrast, sent nearly

See GARCIA, Page 9

byte chips for dynamic random access memory, called DRAMS, for \$1.60 to \$1.80 each. Now Japanese brokers are quoting them at more than \$2.20, and no one is willing to buy at that price, he said.

U.S. officials calculate the Japanese companies' cost of producing chips at approximately \$2.50 each.

See CHIPS, Page 9

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Delta's Westward Expansion  
Locations of the hubs of Delta Air Lines and Western Air Lines.



Delta Soars, on the Wings of Western

A Merger 'Made in Heaven' Nears Completion

By Robert E. Dallos  
Los Angeles Times Service

LOS ANGELES — Passengers flying from Honolulu to Los Angeles at 11:10 P.M. Tuesday will be greeted by a flight attendant saying, "Welcome to Western Airlines Flight 566." About five hours later, the same flight attendant will say, "Delta Airlines welcomes you to Los Angeles."

The passengers need not be confused. At midnight on March 31, Western, the nation's oldest airline and an institution that began flying airmail in 1926, will pass into history.

The large red Ws on Western's planes will be replaced by Delta's red, white and blue color scheme. At ticket counters and boarding areas, Western signs will give way to Delta signs. Pilots and flight attendants will wear new uniforms. And the Western name will disappear.

In what observers of the airline industry contend is the best combination of all of the numerous major airline mergers of the last 18 months, Western was bought by Delta late last year in a deal now valued at nearly \$900 million.

Western had made a surprising recovery in 1984 after having been on the brink of bankruptcy. But it was just not big enough to survive the rigors of competition in the environment of airline deregulation. Western was caught among the giants.

"We did not have the economic or the technical wherewithal to succeed," said its chief executive officer, Gerald Grinstein. Western, he said, "couldn't afford a 300-airplane fleet and it had no computerized reservation system, an essential ingredient in this business."

While the two carriers went through the consolidation process, Western retained its name. Extinguishing the name is one of the last chores to be accomplished before the Delta-Western merger is complete.

Delta and Western took their time in accomplishing the merger, trying to avoid the upheaval and controversy that has tainted other recent airline acquisitions.

Some other merger partners — Northwest and Republic airlines are good examples — have managed to antagonize both their employees and the flying public. But Western and Delta moved carefully and the transition so far has been relatively smooth.

For Delta, the acquisition of a partner was as important as it was to Western. And the marriage with Western was a dream come true for Delta.

The Atlanta-based airline had a big gap in its system. A powerhouse in the eastern United States, it had little presence elsewhere at a time when success goes only to airlines that can grab the most passengers for the longest flights.

For Delta, the consolidation with Western was a natural fit. The pieces meshed like those of "a picture puzzle," one observer said. A merger "made in heaven," is how another described it.

Before the merger, the two carriers had only five competing routes. As they blended their route maps and schedules, the remaining routes were connected end to end.

As it watched one airline after another join

See DELTA, Page 9

Ruling Due in British Insider Case

Reuters

LONDON — In a major decision involving alleged insider trading and media freedom, Britain's High Court is set to rule Tuesday on the government's effort to compel a financial journalist to reveal confidential sources of information on a suspected insider trading ring.

A report from the Press Association, Britain's domestic news ser-

vice, quoted the judge hearing the case brought by the Department of Trade and Industry. The department is trying to force Jeremy Warner, business correspondent for the Independent newspaper, to disclose his sources for two articles written in November 1985 and October 1986 on takeover bids.

The government is investigating the department in connection with allegations of insider trading, the use of corporate information not available to the public. The government has also been investigating the Office of Fair Trading and the Monopolies Commission, which review takeover bids in Britain.

The Trade Department lawyer said Mr. Warner's sources could confirm the existence of an insider trading ring that official inspectors

believe was trading in shares worth more than £10 million. If the sources were not connected with that ring, he said, the information could support evidence of a second ring.

The lawyer told the court that after investigations into the existence of one insider trading ring, the inspectors knew the name of a civil servant who allegedly supplied the information. Evidence on a second ring was purely speculative, he said.

Mr. Warner's lawyer said the court did not have the power to order the journalist to answer the inspectors' questions. Its only course was to order punishment if it decided that Mr. Warner refused to give information without reasonable excuse. The lawyer said.

Taiwan Says  
It Will Lift All  
Currency Limits

By Patrick L. Smith  
International Herald Tribune

TAIPEI — Taiwan has signaled its intent to lift foreign exchange controls that have been in effect since the Kuomintang, or Nationalist Party, established its authority here almost four decades ago.

The move is the government's most significant step to reduce the accumulation of foreign reserves that has resulted from Taiwan's huge trade surpluses with the United States and other nations.

Last year the overall trade surplus widened by nearly half, to a record \$15.6 billion, with \$13.6 billion coming from bilateral trade with the United States.

In a statement released late Friday, Prime Minister Yu Kuo-hua indicated the government would "suspend" existing foreign exchange regulations but could reimpose them in a national emergency.

The foreign currency holdings of Taiwan's central bank have more than doubled in the past year. Earlier this month, foreign reserves reached \$33 billion, the world's third-largest after those of West Germany and Japan. Foreign reserves are now growing at a rate of roughly \$2.5 billion per month.

In drawing attention to the island's highly protected economy, the growth of reserves has been a continuing embarrassment to President Chiang Ching-kuo's administration.

In lifting its tight controls on the possession and use of foreign currencies, the government intends to reduce this rate of growth by allowing residents greater freedom to import goods, invest abroad and accumulate foreign-currency savings.

Although pressure for an easing of exchange controls has been mounting for some time, measures thus far adopted have been inadequate.

Mr. Yu offered no timetable for the suspension of foreign exchange regulations. In addition, he cautioned that "whatever means we use, we will not be able to reduce the growth of our foreign reserves in the short term."

But local analysts and economists viewed the announcement as a sign that the government was prepared to address one of its most critical economic problems with greater resolve.

"The government now appears to recognize the seriousness of the situation," said Liang Kuo-shu, chairman of the Chung Hwa Commercial Bank and a former central bank official. "They're now in a position to act more aggressively."

The government's primary concern at this point, according to Mr. Liang and other economists, is the threat of inflation posed by the accelerated growth of reserves.

Under current regulations, the central bank maintains strict limits on the outflow of foreign exchange from Taiwan. Individuals and businesses are generally required to remit all foreign currency holdings to the government in exchange for New Taiwan dollars.

Reserve growth has been recognized as Taiwan's "happy headache," as local commentators term the problem, for much of this decade. But the growth in reserves, measured in U.S. dollars, has been exacerbated by the 13 percent increase in the New Taiwan dollar's value against the U.S. currency since last year.

It stood Saturday at 34.20 dollars against the U.S. currency, a 2 cent rise over the previous day.

This steady appreciation of the currency has induced unusually strong demand for it, particularly among exporters. In addition, up to \$7 billion of speculative money has poured into Taiwan in the same period, according to unofficial estimates, while local banks have ex-

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Soviets Say  
West Is Keen  
On Ventures

Reuters

MOSCOW — Soviet officials say foreign businessmen are expressing strong interest in establishing joint enterprises in the Soviet Union and already 30 preliminary agreements have been signed with Western companies.

But Western economic experts described foreign business interest as cautious. These 30 protocols are not legally binding, they said, and no contracts have been sealed.

Moscow last year invited companies in capitalist countries to start joint ventures with the Soviet Union in an effort to improve foreign trade ties.

At the same time, a number of Soviet ministries received the right to deal directly on world markets, rather than through the Ministry of Foreign Trade.

Reviewing these changes Friday, Deputy Prime Minister Vladimir Kamensky said that, of the more than 200 proposals for joint ventures, 121 had been judged of mutual interest. Twelve projects from the 30 protocols were practically implemented, he said, including ventures with Finnish, Japanese, West German and American companies.

"The Soviet Union is selling the joint-venture idea very hard because it wants to obtain new technology cheaply," one diplomat said. "But I would say business reaction in the West has been cool so far."

The rules for running the joint ventures are still unclear, this diplomat said, and no Western company wanted to be the first to take a major financial risk.

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Last Week's Markets  
All figures are as of close of trading Friday

Stock Indices	27	March 26	Change
DJ Index	2,325.80	2,323.50	+2.30
DJ Ind. Ave.	217.57	220.12	-2.55
DJ Trans.	925.44	948.99	-23.55
S & P 100	284.94	288.22	-3.28
S & P 500	296.13	298.17	-2.04
S & P Ind.	340.34	341.39	-1.05
NYSE Comp.	148.27	147.37	+0.90

Money Rates	March 27	March 26	Change
Discount rate	5 1/2%	5 1/2%	0
Federal funds rate	5 1/2%	5 1/2%	0
Prime rate	7 1/2%	7 1/2%	0
3-month T-bill	4 1/4%	4 1/4%	0
3-month Eurodollar	4 1/4%	4 1/4%	0
3-month Euroyen	4 1/4%	4 1/4%	0
3-month Eurodollar	4 1/4%	4 1/4%	0
3-month Euroyen	4 1/4%	4 1/4%	0
3-month Eurodollar	4 1/4%	4 1/4%	0
3-month Euroyen	4 1/4%	4 1/4%	0

Commodities	March 27	March 26	Change
Crude oil	20.48	20.17	+0.31
WTI 100	1,620.40	1,598.90	+21.50
Gold	378.00	378.00	0
Silver	21.57	21.57	0











OTC Consolidated trading for week ended Friday. March 27

(Continued on next page)

## Vintage Furniture















